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MODERN METHODS OF MERCHANDISING

BY

MAC MARTIN of MINNEAPOLIS

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Book M27
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MODERN METHODS OF MERCHANDISING

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MAC MARTIN ADVERTISING CO.
MINNEAPOLIS, MINN.

$1.00

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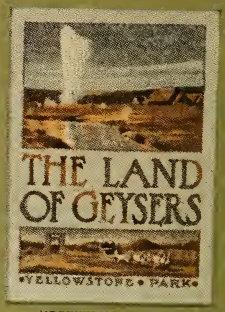
No.

TO

I am dedicating this little book to you. These simple stories may assist you in avoiding some of the hard knocks others have encountered. As you read it I trust you will feel that I am talking to you and to you alone.

THE SOO LINE



NORTHERN PACIFIC R.R.

LOOSE-WILES BISCUIT CO

KILDALL FISH CO

MINNEAPOLIS CIVIC & COMMERCE ASSOCIATION

PILLSBURY FLOUR MILLS CO

WARD-HARRISON MORTGAGE CO
FORT WORTH, TEXAS

SIMS
CEREAL CO

NAT'L ASS'N OF MASTER BAKERS
PHILADELPHIA, PA.

A Company is Known by the Customers it Keeps.

ADVERTISING IS BUILT ON MERCHANDISING

IT is now over a decade since I started this business and began to assist people in the preparation of their advertising.

During these years I have seen many changes take place. Each year business men are gaining more respect for advertising and greater knowledge of what it will and will not do.

The world is learning that advertising, to be effective, must be linked closely with merchandising—must be built on a thorough knowledge of the different methods of merchandising.

What I have learned of advertising and its relation to merchandising has come through experience with many classes of business. It has come through constant study and hard knocks.

As the years have gone by I have sought out the paths of least resistance—I have learned to avoid many things.

Perhaps the stories of some of these experiences—the failures as well as the successes—may be of profit to you in your business.

IT DOES NOT PAY TO GO OFF HALF COCKED

NOT so long ago a wholesale druggist conceived the idea of putting cold cream in stick form in a specially designed tube which could be carried conveniently in a lady's pocket book.

He not only had plenty of money to invest in advertising and a completely equipped plant ready to produce the product in large quantities, but through years of fair dealing he had built up a trade among some 3000 dealers who would stock an article on his recommendation alone.

The article seemed so meritorious that its maker thought all he would have to do to make a fortune would be to apply the magic wand of advertising.

An advertising campaign calling for an expenditure of $100,000 was talked of and success seemed so certain that several newspaper and magazine advertisements were negotiated for before I was called in to prepare the advertising.

Everything looked so favorable on the face of it that I suppose some people wonder why I did not make up a list of publications of known value, write and illustrate some strong advertisements, and start spending his money for him right away.

The maker had told me all that he thought I needed to know about the product, and my records showed many things about the markets and the best advertising media, yet I did not feel that I had sufficient information.

I had visited the factory and watched the product being made, but I wanted to go into drug stores and watch it being sold. I also wanted to question women who had used it.

The druggists told me, as an outsider, many things that they would not have told to the maker or to his salesmen.

Some of the women who tried it were enthusiastic over it. They bought it quite readily at first, but after careful investigation I found that they very seldom bought it the second time.

One test after another brought me face to face with the fact that it was only a novelty, that it was not a "repeater" and that it would not be wise to stake any great amount of money on it.

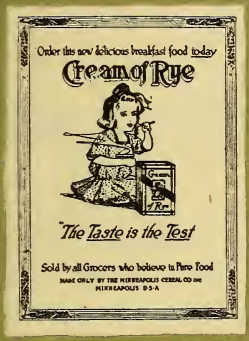
As there was very little of the "repeat" element in the product, the day would come that the manufacturer would find, just when his advertising should bring the greatest returns, that he had sold every possible customer in his market once, and they wouldn't buy again.

Four other things I discovered which

this manufacturer had evidently overlooked: first, the name chosen for the product could not be protected as a trade-mark; second, the perfume with which the article was scented did not seem to appeal to the class of people most likely to buy; third, the article which was being sold to consumers at 50 cents was being compared with similar articles of about the same size selling at 25 cents; and fourth, because the manufacturer was giving the department stores special discounts, they were selling the 50 cent article at 39 cents one day and 42 cents the next day—both prices being lower than local drug stores could afford to meet. The result of this cutting in price was that, while the local drug stores stocked the article very readily in the beginning on the recommendation of the manufacturer, they refused to re-order, because to meet competition they were practically compelled to sell the article at a loss.

The manufacturer might have gone ahead and spent his $100,000 in advertising and learned these things from experience as some others have done.

But when these facts were laid before him he appreciated the value of a preliminary investigation by one experienced in such things.


Order this new delicious breakfast food today
Cream of Rye
"The Taste is the Test"
Sold by all Grocers who believe in Pure Food
MADE ONLY BY THE MINNEAPOLIS CEREAL CO INC
MINNEAPOLIS U.S.A.

PART OF A SERIES OF HAND-LETTERED ADVERTISEMENTS

The Golden Great Northern States
The seven Golden Great Northern States of the Northwest—Minnesota, North Dakota, South Dakota, Montana, Idaho, Washington and Oregon, have made the Northwestern Land Show at the St. Paul Auditorium, the greatest exposition of farm products that was ever held in America.
The Great Northern Railway exhibit at the Land Show contains samples of the finest wheat, oats, barley, rye, flax, alfalfa, clover, fruit and vegetables grown in these Golden States.
Never before have you had the opportunity to see such a stupendous exhibit. You will find men at the Great Northern exhibit, who can give you detailed information regarding the opportunities for home-making in these states. Free booklets. See our moving pictures—Lecture Hall—Daily!
H. A. NOBLE,
General Passenger Agent, St. Paul, Minn.
GREAT NORTHERN RAILWAY

PART OF A GREAT NORTHERN SETTLER'S SERIES

THE WAGNER PIANO CO.
CANAL AND MARKET STREETS
NEW ORLEANS
Geo. B. Norris Pianos
Holland Pianos
IF you do not feel the influence of good music in your home, it is probably because of one of two reasons. Either your old piano is out of date and out of tune, or you have never before met such an offer as we are now prepared to make you.
The Geo. B. Norris and Holland Pianos are the highest grade voice toned pianos, made in a factory conducted under most modern efficiency methods which enable the manufacturer to produce these perfect instruments at 20 to 25% lower than the average piano manufacturer is compelled to ask. Come and see our exhibit today.
You have always longed for such a piano. Now is your opportunity.

NEWSPAPER CUTS FOR DEALERS

PART OF A NORTHERN PACIFIC IMMIGRATION SERIES

Our Artists and Writers are experienced in giving an atmosphere of individuality to the advertisements of each client.

IT DOES NOT PAY TO STOP ADVERTISING

WHEN you have once decided that your product is good enough to advertise, continuous advertising is the cheapest investment. Most would-be advertisers stop digging just when they are about to reach "pay dirt."

Records show that the death rate in this country is 17 in every 1000 and the births are 32 per 1000. Even if your advertising was the greatest the world had ever seen a stop of only ten years would mean nearly one third of the people able to read and write who never saw your advertising to say nothing of the remaining two thirds who would probably long ago have forgotten you.

A man once asked me how long I thought would be necessary to test the advantages of advertising for one of his products.

Before answering I asked him "How often does the same consumer buy your class of product?"

He told me they re-ordered a supply every three or six months.

If we advertised continuously for six months we would then just have a chance of catching each buyer on this next order. That was certainly the shortest time possible for a test.

We started the advertising, but at the end of four months he wanted to quit.

I reminded him of his estimate and asked the privilege of sending a letter to a select list of his prospects. In this letter I put a return postal on which one of the questions asked was, "How often do you order?"

The returned postals showed that while the shortest time was three months, as my client had said, the longest was 3 years, and the average was $11\frac{1}{4}$ months.

Two other questions asked on this post card were: "In what quantities do you order?" and "If you were ordering to-day, what brand would you probably specify?"

The answers to these two questions indicated a volume of business that would have been equal to a 150% increase if the buyers had been in a position to order at that time.

J. George Frederick, Editor of "Advertising & Selling," says: "One can concede the possibility of a very brief cessation of advertising without harm—just as it is possible to sling a pail of water over one's head without spilling, because of momentum. But as soon as the speed is slackened the momentum is broken, and out spill the whole contents. The performance of many "advertisers" is as crude as the overcautious effort of a child to swing the pail of water: he is constantly spilling and losing."

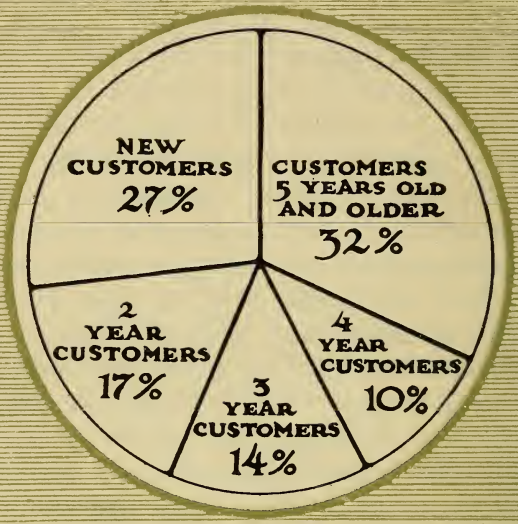


CHART TO SHOW THE REPEAT OF REGULAR CUSTOMERS

Take the total customers appearing on your ledger this year and divide them into classes. One chart may be prepared for number of customers and another for the volume of business. It is more important to hold old business than it is to obtain new. Advertising that is directed towards getting only new customers is performing less than half of its duty.

HOW TO DECREASE SELLING COST

BUSINESS is like war. It is a struggle for commercial existence, and only those who use the most modern methods can expect to survive.

Suppose you and a certain competitor are each making annually 1,000,000 boxes of your products. Let us consider that you each have been spending $25,000 annually in advertising and $75,000 on your salesmen, or $100,000 to sell 1,000,000 boxes. That is a selling cost for each of you of 10 cents a box. Let us also estimate that you each make a net profit of $50,000 or 5 cents a box.

Now suppose your competitor decides to put forth an extra effort to increase his volume and to popularize his brand by more advertising. A salesman can take an order for 10 dozen just as easily as he can for one twelfth of a dozen if the demand has been created.

Let us suppose that next year or the year after your competitor's advertising appropriation is increased to $125,000, making a total selling cost of $200,000, but in doing this the advertising has so increased the volume that he sells 4,000,000 boxes. His selling cost is now 5 cents

against your 10 cents. He not only makes four times the gross profit that you make, because he sells four times as much, but he makes another profit of 5 cents for every box sold, because he can sell at half of your expense.

How will this affect you? You may not notice the effect while times are good and you and your competitor maintain the same price. But let a crisis come, or let your competitor see that he can increase his volume still further by lowering his price to the consumer and—well, he can run you out of business any time he wants to. There will be no "combination in restraint of trade" either. He holds you in the hollow of his hand. You are beaten anytime he takes a notion to say the word. Through advertising he has cut his cost to a place where he can make a good profit and still sell at a price below your actual cost.

This illustration is more than a theory. It is happening today in many classes of business. When Hart, Schaffner & Marx began to advertise the house was doing a business of $1,500,000. Ten years later this had increased to $15,000,000.

An interesting comparison of selling costs and amounts spent for magazine advertising by four ready-to-wear clothing manufacturers was recently compiled by Printers Ink.

	Magazine Advertising	Selling Cost
Hart, Schaffner & Marx	$85,000	2½ to 3%
B. Kuppenheimer & Co.	49,000	4%
Samuel W. Peck & Co.	29,000	6%
Alfred Benjamin	24,000	7%

The Baltimore Bargain House, another concern doing a business of over $15,000,000, sells by mail for about 2¼%, against a selling cost of from 7 to 10 per cent of its competitors.

The Postal Life of New York sells life insurance by advertising at $10 per $1000, compared to an average cost throughout the life of the policy of from $22 to $35 when business is secured by agents.

Cutting the Cost of Obtaining Distribution from $5.00 to $1.27

The mere fact that you spend money in advertising is, of course, not the main thing. The question is: "Are you getting the most for your money?"

Several months ago I was asked to consider the planning of some advertising for a manufacturer of a new product. An advertising agency had been placing his advertising, but evidently had not studied his methods of merchandising. His article

cost the consumer 25 cents a box. He had very wisely instructed his salesmen in introducing the product not to over-stock the dealers. The salesmen found that, talk as they would, they very seldom were able to do better than put the product in on a consignment basis and then only in about 35 per cent of the stores they called on. Until I suggested it this manufacturer had never made an estimate of how much it cost per dealer to get this distribution. To his surprise it figured up about $5 per dealer.

A very simple change in his merchandising plan enabled him to get 100% distribution at a lower expense than the old method. In each town he entered his newspaper advertising started on the same day that a letter and a package was sent to all dealers in that town. The letter told exactly what the advertising consisted of and carried a return post card ordering a window-trim. The package contained a little counter display rack showing a half dozen boxes which were given to the dealer as a first stock free of charge.

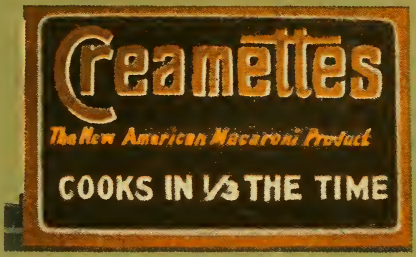
When we estimated the cost we found that by this method we obtained complete distribution over night, at an expense of $1.27 per dealer, against the $5.00 which had been paid before.

Creamettes
THE NEW AMERICAN MACARONI PRODUCT
COOKS IN ONE THIRD THE TIME:
MORE TENDER: MORE DELICIOUS:
THE MOTHERS MACARONI CO. MINNEAPOLIS U.S.A.

NEW PACKAGE (2 PRINTINGS)

OLD PACKAGE (5 PRINTINGS)

NEWS PAPER
ADVERTISEMENTS



PAINTED WALL SIGN

A Product which was given Distinctive Characteristics throughout all of its advertising.

WHERE 31½ CENTS ADDED TO $4 MADE 65% INCREASE

I KNOW of no class of business—(unless perhaps it is that of a burglar) which cannot be benefited by some form of advertising.

The modern way is to use salesmen as "closers" only, leaving the "opening" to be done at a lower expense through advertising. A salesman's time is too valuable and people prefer to make up their minds too slowly to waste a salesman on the preliminaries which can be told more quickly and shown more clearly on the printed page.

A friend of mine made an investigation which showed that his salesmen sold 60% to 70% of the people called on before the goods were advertised, and that after 4 months advertising the same salesmen sold from 80% to 90%.

A jobber asked my advice about pushing the sale of one article in his line on which he was doing a business of $79,000. The selling season was 3 months, in which time his salesmen called on the trade not more than twice and then they had many other items to take orders for. No one of his salesmen cost him less than $2 a call. A series of mailing pieces was planned to support the salesmen and call on each one

of his prospects once every two weeks, making eight calls during the season instead of the salesman's two. This advertising, including stamps and addressing, cost the jobber 31½ cents a prospect, or a little over a nickel a call. At the end of the season he found that on an investment in advertising of $939, the salesmen showed an increase on that item of $52,000. His sales had risen from $79,000 to $131,000. By increasing his selling expense only 8% and putting that 8% into advertising his salesmen were able to show an increase of 65%.

HOW ADVERTISING CREATES GOOD WILL

CONTINUOUS advertising does two things. It cuts costs and it increases the element of good will in a business. Salesmen can create good will, but the good will they create is usually only in the minds of those whom they actually sell. Many people who do not own automobiles greatly assist the sale of certain cars because the manufacturers, through advertising, have bought the good will of the entire country.

No matter how perfect your equipment, your business cannot live without that intangible something the business world calls good will. I have often been surprised to see how readily the confidence of the public responds to frank honest advertising. Less than six months after I ran a special newspaper campaign, planned solely for the purpose of developing this element of good will, for a public service corporation capitalized at $4,375,000.00 the owners were offered and accepted $200 a share for their stock, although before the advertising started it was quoted at $113 a share.

Another idea of the dollars and cents value of good will created through advertising can be gained from a study of the

following table showing the good will value represented by the business of some of America's leading advertisers.

Name	Capital	Assets	Good Will	Per Cent
Sears, Robuck & Co.	$48,500,000	$60,768,949	$30,000,000	49.3
Studebaker	43,500,000	56,467,143	19,807,277	35.0
May Dept. Store...	20,000,000	21,377,229	14,343,957	67.0
Underwood	13,500,000	15,476,785	7,995,720	52.2
Loose-Wiles Bis. Co.	13,000,000	15,247,152	7,970,543	51.6

Advertising Is a Form of Investment

Many people evidently consider advertising as some form of gambling and never think of estimating the possible results as they would those of any other form of investment. Much advertising is successful in spite of itself. All of it could be, if men would look before they leap. I do not recall ever having met a man who said advertising had been unsuccessful in his business that on inquiry it did not develop that the fault lay in his merchandising methods, the quality or price of his goods, the length of time in which he expected returns, lack of knowledge of consumers, or some other perfectly simple thing that he could have avoided in the beginning.

R. G. Dun & Company reports 84% of the failures in this country are among concerns which do not advertise.

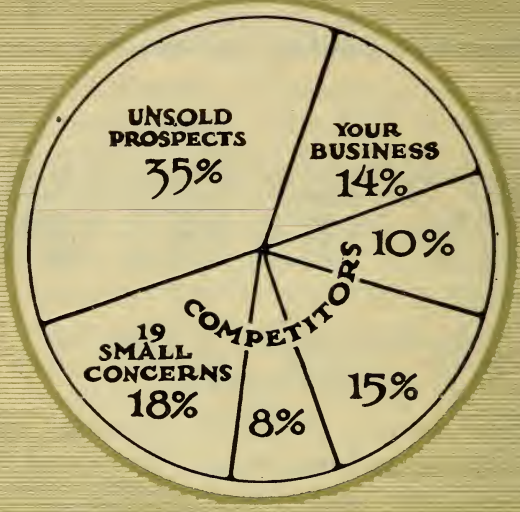


CHART SHOWING DIVISION OF MARKET

Before estimating your sales possibilities in any market we proceed to analyze that market to determine the total possible customers and the share you and each of your competitors hold. Such information is usually quite difficult to obtain, but when it is secured it is then easy to determine where to put the most sales effort.

HOW MUCH YOU SHOULD SPEND FOR ADVERTISING

IN fact I think most advertising might be considered as memory insurance. Except in cases of very seasonable articles we can never tell just when any one prospect is thinking of buying. If you can feel certain that each of your possible customers will remember your brand favorably when he goes to buy you have a distinct advantage. It is worth so much a buyer per year to insure your product in the memories of your possible customers.

Coca Cola, with its $1,000,000 annual advertising appropriation, spends in this country of 100,000,000 population approximately a penny a person a year for such insurance. I know a man who pays $2 a year a prospect as memory insurance. Yet as there are only 1000 concerns with which he can do business profitably his advertising costs him but $2000 a year. When Coca Cola makes a sale the exchange is a nickel. When the other man makes a sale the sum involved runs into the hundreds and thousands of dollars. One can afford to pay more per unit. The other can afford to pay more in the total.

So it is with all businesses. Each can afford to spend a different amount and each must employ different methods.

You and I live in the 20th Century, and we have at our command all of the complex machinery of modern merchandising.

In this country alone there are over 750,000 retail stores of different characteristics selling manufactured products to ultimate consumers. It is my business as an advertising agent to know the number of distributors in different markets and to develop the cheapest methods to influence them to handle your goods. There are over 22,000 publications in the United States, each of different value to different concerns, clamoring to carry your message to those who buy.

My company represents no one particular method of advertising. My associates and myself have spent our lives studying ways to influence people to buy. We are designers and writers, but we are first of all merchandising men. We know how to make illustrations which will appeal to people, and we know the best classes of cuts to use for different purposes. We are experienced in buying printing and our clients say that we add just that touch to their printed matter which gives it distinctive individuality. It is our province to know the value of different media, different markets and different methods, and to plan advertising campaigns which obtain the greatest results for the least money.

WHAT YOUR ADVERTISING SHOULD COST

MANY business men say: "My business is so small that I can't afford to employ an advertising agency."

But when they begin to figure up at the end of the year they find that they have spent more than they would have spent if a definite plan had been laid out by a competent advertising organization.

The other day I was looking over the ledger of a manufacturer who in a year had spent $2750, for what his bookkeeper listed as advertising. When we began to separate the items this manufacturer was surprised to find, (although he is a most careful buyer of all of his supplies and will not spend a penny foolishly if he can help it,) that over $1200 of this expense was for exhibits at county fairs, church programs, and other items which had nothing at all to do with reaching his market or his possible buyers.

Just turn now to the part of your ledger headed advertising and see if it shows any such condition.

It is not so much the amount you spend as the way you spend it. And that is our first concern when you employ us as your advertising agent, because any successes

which we have ourselves made in the past have only come from making others successful.

What Our Service Costs

Some people have the mistaken idea that the charges of an advertising agency are variable and like a doctor's bills, differ with sizes of pocket books. Our prices are the same to all and it is our policy always to submit estimates in advance.

Our charges for space in publications are at the lowest card rates quoted by the publications themselves. We give you our complete service for just what it would cost you to buy the space alone. We can afford to do this because the publications grant to recognized agencies a commission which cannot be obtained by advertisers. They give us this commission because they recognize our service to be of value to them in decreasing the advertising death rate, and in building permanent business for them.

Special illustrations, booklets and follow-up literature as well as engraving and printing are at regular market prices.

We make no charge for consultation and are always glad to go over the merchandising and advertising problems of anyone who is interested.

PIECES FROM SUCCESSFUL
DIRECT BY MAIL CAMPAIGNS.

Spot Specialists

Anyone can take out a spot with a pair of scissors. We do it without destroying fabrics. Our specialists catalog spots. We guarantee. Why not send your clothes to be cleaned and your laundry to the same place at the same time. Either phone 880.

Nevens Co.

Hennepin, Near Sixth Street

Nevens Co. LAUNDERERS CLEANSERS

"As you want it. When you want it"

PART OF A SERIES OF
LOCAL STREET CAR ADVERTISEMENTS

It pays to take pains with every advertisement sent out even if it is only a letter.

THE OUTSIDER'S VIEWPOINT

A DOCTOR cannot diagnose his own case. Very few successful advertisers attempt to write their own advertising. Over 90% of the advertising in this country is prepared by advertising agents. If it were not the most economical method agencies would not long exist.

My own advertising is the hardest advertising I have to write. I can do it if I stay by it long enough, but I find that I am so much involved in the details of my business, wanting to tell too much or too little, that it takes me about four times as long to prepare presentable copy for my own business as it does for one of my clients. If I could employ someone else to write my own advertising I would do so. But I would have to go to a competitor. You have a distinct advantage over me in this respect.

Then an outsider can tell many things that one on the inside hesitates to say about himself.

The following are excerpts from a few expressions of people who have had experience with our methods.

"You deserve a great deal of credit for your clear cut, businesslike methods of advertising. In this age of hot air artists,

it is refreshing to find a man who deals in facts. Your letters have impressed me more favorably than anything I have ever received from any advertising man, and inspire me with confidence in your ability not to waste money."—HENRY C. GARROTT, *President Garrott Candy Co.*

Here is another written in quite a different vein, by one of our old clients, Mr. J. N. Stewart, Advertising Manager of the Northern Pacific Railway, who each year buys nearly a half a million dollars worth of advertising for this great railroad:

"When 'Mac' takes a crack
At a booklet or a placque
You may look for something nifty
With a style that's sure unique.
He is chaste in his taste
And so handy with the paste
That you'll find but few can touch him
Far and wide tho' you may seek.

"A dash of pink—some purple ink
And he'll really make you think
That Dame Nature overlooked a bet
In painting up the rose.
Maxfield Parish may be garish
But his art's not half so rarish
As the touch that only 'Mac' can give
To his booklets and his prose."

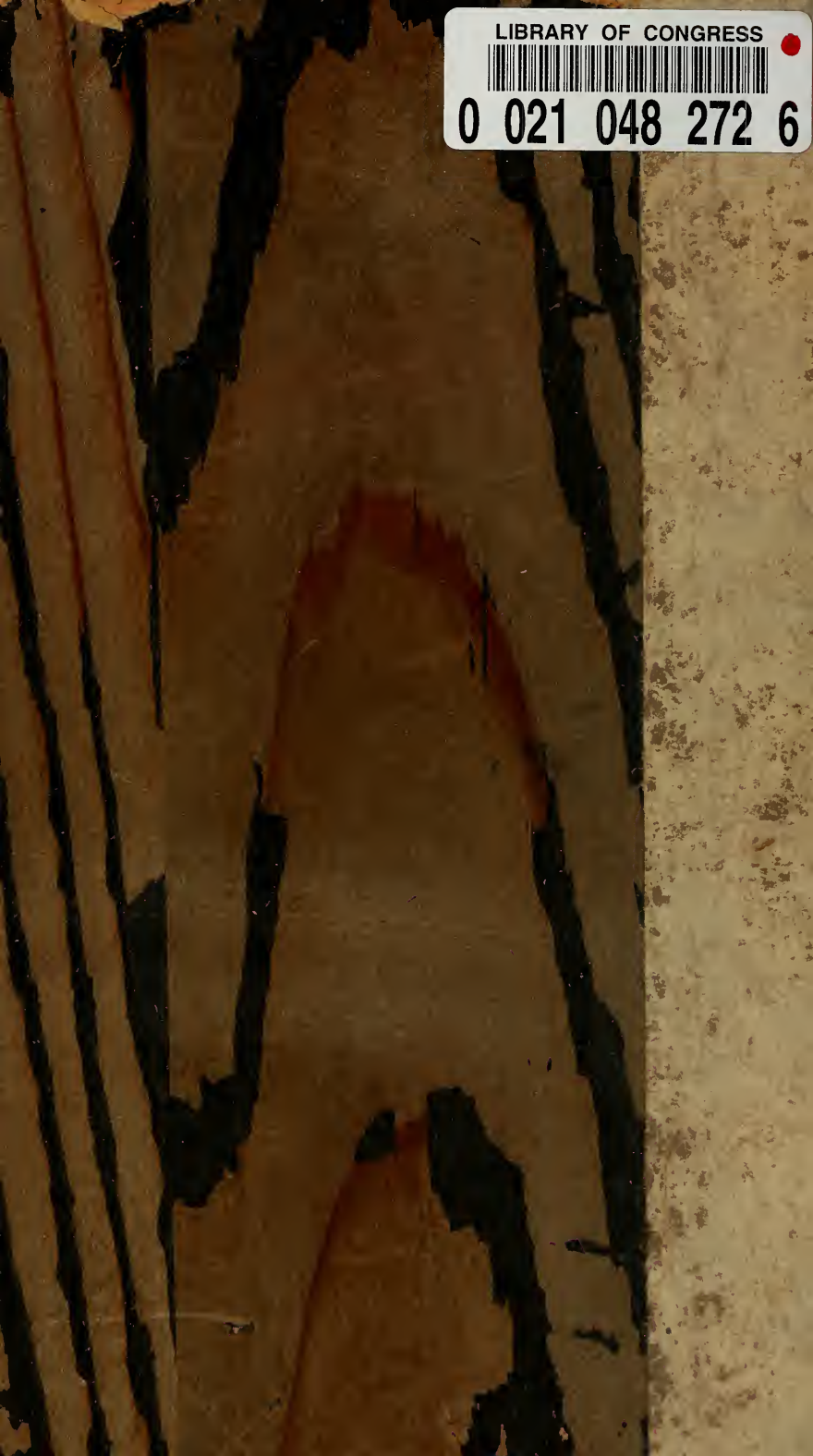
Another by Thomas Dreier, Editor of "As-

sociated Advertising", the official organ of Associated Advertising Clubs of the World:

"In Minneapolis lives Mac Martin. Mac Martin believes that a man's first duty is to his family; his second to his business; and his third to his city. But he also knows that the man who does effective work for his city does most effective work for his business, and therefore for his family.

"I have talked with many business men about Mac. They all swear by him. They know that he is on the square, that his judgment is good, that he never goes off half cocked, and that he is always eager to do what is best for the greatest number.

"He holds the respect of big business men, is liked personally by those who work in his office, is popular at his own breakfast table, and is just boy enough to say that he is just started."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